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The President's Daily Brief

May 10, 1975

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FOR THE PRESIDENT ONLY

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LAOS

The ugly, large-scale demonstration against the US embassy in Vientiane yesterday and continuing disturbances in the southern rightist stronghold of Pakse--actions clearly inspired by the Lao communists--demonstrate that Prime Minister Souvanna Phouma is no longer in control of events in Laos. His order of May 7--issued on behalf of the coalition cabinet--banning any further civil disorders throughout the country is being ignored.

Souvanna [] expressed grave concern over the anti-American protest in the Lao capital and worked hard to head it off, but without success. On Thursday afternoon he appealed directly to the demonstration's organizers to call off their protest or at least to re-route their line of march away from the US embassy, but the organizers categorically refused.

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Once the demonstration was under way, Souvanna contacted communist Deputy Prime Minister Phoumi Vongvichit. Souvanna told Phoumi that the actions against the embassy--particularly the pulling down of the American flag--were completely "unacceptable" and that the US would view this as a serious provocation. He urged Phoumi to bring the protest to a halt, but Phoumi--disclaiming any knowledge of the matter--offered little help.

The US chargé has protested to both Souvanna and Phoumi, particularly about the inadequate police protection afforded American personnel and installations in Vientiane. In his conversation with Phoumi, the chargé asked whether the coalition government supported the demonstrators' demand for an end to the US presence in Laos. Phoumi apologized for the incident at the embassy and told the chargé that there was "no reason" to leave since everything would soon calm down. He explicitly affirmed that the communists were prepared to continue to work "within the framework of the 1973 Vientiane peace agreements" and that US economic and military assistance would continue to be welcomed, providing the aid was equally distributed to the two sides.

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Phoumi seemed to be implying that the communists expect to maintain the coalition government facade after they consolidate political power in Vientiane. That moment drew closer yesterday when five prominent and influential rightist cabinet members, including Defense Minister Sisouk na Champassak and Finance Minister Ngon Sananikone, reportedly submitted their resignations. All had been prime targets of recent communist-instigated demonstrations.

Sisouk has reportedly sought refuge in Thailand, where he will shortly be joined by Prince Boun Oum and other members of the southern rightist Champassak clan. Ngon is said to be on his way to Paris. An exodus of wealthy Lao, Chinese, and Vietnamese residents of Vientiane is also under way, and the Australian embassy has ordered the evacuation of dependents and nonessential personnel.

An uneasy calm returned to Vientiane late yesterday, but most shops remained closed and more demonstrations were reported to be planned for the weekend, which is a three-day Lao holiday. The US embassy plans to close down during this period.

* * *

Although no significant new fighting has been reported in northern Laos, the Royal Lao Army [] considers the situation there to be hopeless. [] the anti-rightist demonstrations in Pakse and other areas of southern Laos during the past week have effectively neutralized the non-communist position there as well. [] a number of senior officers--including Lao army strongman General Kouprasith Abhay and Vang Pao--have decided to resign.

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SAUDI ARABIA

Saudi Arabia's holdings of US government securities and longer term private assets have almost doubled since the beginning of the year. Since January, the Saudi Arabian monetary agency, now under new and more active financial leadership, has channeled almost \$2.1 billion into such investments. These purchases equal about half of Saudi Arabia's surplus oil revenues earned so far this year.

The Saudis have purchased \$1.7 billion worth of US government securities since the beginning of the year, bringing the total of such holdings to over \$3.8 billion. Over 25 percent have maturities of three years or more. Most of these securities have been acquired through the Federal Reserve Bank of New York, but substantial purchases have been channeled through commercial banks.

Saudi acquisitions of long-term US private assets--primarily equities and corporate bonds--are small but have increased even more rapidly than purchases of US government issues. Over \$700 million has now been placed or firmly committed in such investments compared with only \$320 million on January 1.

The bulk of these investments is being placed in US corporate bonds. The Saudis have earmarked \$800 million for investment in private US bonds. So far, these funds are being used to buy top quality issues with maturities of eight to ten years.

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The Saudis are also giving increased attention to the US stock market. So far this year, the Saudi agency has increased its equity investment accounts by at least \$140 million. The Saudis apparently plan to limit equity acquisitions to 5 percent of the stock of any company and bond purchases to an even smaller share of any new issues.

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PORTUGAL

The US embassy in Lisbon reports that the strong showing by moderate political parties in the constituent assembly election on April 25 has had a considerable impact on the political scene. While retaining their positions of influence, the Communists and the radicals in the Armed Forces Movement are clearly on the defensive.

The embassy sees the following changes in the political equation:

--President Costa Gomes has recovered from the dangerously exposed position he was in immediately after the coup attempt on March 11 and can be expected to reinforce moderates in the Armed Forces Movement and the government. His role as an undeclared supporter of the Socialist Party has become clear since the election.

--Prime Minister Goncalves, who depends for support on the Communists and radicals in the Movement, appears more vulnerable now than at any time since he took office last July.

--Admiral Rosa Coutinho appears more and more to be seeking one of the top jobs. He is active, outspoken, and exudes confidence; but his ideology, allies, and goals remain a mystery.

--The Communist Party has overextended itself and is now exposed as having limited popular support. It is seeking a way to regain the offensive and is capable of some dangerous and destabilizing moves.

--The Socialist Party is moving faster than it had planned to assert its newly found popular strength. Large Socialist street demonstrations last week have reportedly chastened the Communists and the radicals in the Movement who had thought only their side controlled the streets.

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--Radicals in the Armed Forces Movement are faced with the choice of risking a major move soon to eliminate the Socialists or face the erosion in their own power.

--Moderates in the Movement are beginning to assert themselves and may be willing to challenge radical domination of the Revolutionary Council, the government's policy-making body. They hope to make allies of the fence-sitters, the ideologically uncommitted, and the opportunists.

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NORTH VIETNAM

Procurement and distribution problems are causing local food shortages in North Vietnam, even though production last year of about 4.5 million tons of rice was 10 to 15 percent better than the disappointing 1973 harvest.

According to intercepted messages, ineffectual grain procurement is causing shortages in traditional food-deficit areas. One message reported that procurement of rice and corn from the 1974 autumn harvest was still some 20 percent below target by mid-February. Others indicated that the share of subsidiary grains in the rice ration has risen because of shortages of rice in government hands. Local shortages and related problems typically occur just prior to the May-June harvest.

Hanoi is trying to improve its control over agriculture. [REDACTED]

[REDACTED]
the need to improve procurement of the spring crop to avoid the "unfavorable situation" that occurred with the 1974 autumn crop. [REDACTED]
implementation of a ban on free trade in grain in an effort to end the diversion of grain from official channels to the free market.

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NOTES

Canadian Prime Minister Trudeau has accepted an invitation to visit Cuba and has agreed to open negotiations on establishing regular air service between the two countries.

Canada believes economic advantages would follow from improved relations with the Castro government.

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